WASHINGTON NOTES

THE NEW TARIFF

The result of the winter's deliberations of the Ways and Means Committee was at last announced, when Chairman Underwood introduced in the House, on April 7, H.R. 10 (63d Congress, 1st session), an omnibus measure intended for the revision of the whole tariff from beginning to end. The new bill has already been acted upon by a Democratic caucus and its adoption in the House substantially as it stands is therefore practically assured.

The terms of the Underwood measure are of very great interest from the standpoint of tariff history generally, as well as of immediate significance because of the fact that they are to form the basis of the new revenue measure which will undoubtedly control during the next four years at least, and perhaps for a much longer period. Fundamentally, the bill is based upon the measures presented during the past two sessions of Congress, some of which were speedily vetoed by President Taft. It is, however, in many respects more radical than they, making deeper cuts in the duties on textiles and metals. A change of policy is seen in the provisions which establish a rate on sugar equal to about three-quarters of the present duty, while shifting raw wool from a dutiable status of 20 per cent to the free list. In some other instances rates have been raised above those fixed in the original Underwood measures, but for the most part the substance of those measures has been kept, and the ideas which control in them have been applied in framing the revision of the other schedules upon which nothing had been done prior to the present time.

A brief review of the rates by schedules is the most direct method of appreciating exactly what has been done.

Schedule A, dealing with drugs, chemicals, oils, and paints, has been worked out along the same lines that were followed in the bill of last summer, except that the principles which were then applied have been carried farther in order to overcome some difficulties that had been found to exist in the schedules of rates and to offset certain inconsistencies that had been detected. The following representative list of items makes a comparison between the ad valorem equivalents of the rates levied on the specified items in the former measure and in Schedule A of the new one:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Boracic acid	78.70	21.43
Glue	35.06	14.29
Red lead	60.35	25
Medicinal preparations	25	15
Drugs	12.55	10
Olive oil	35.18	21.05

The average ad valorem rate in Schedule A is 19.64 per cent as against 25.91 per cent in the present law.

In Schedule B, which deals with glass, tiles, earthenware, china, and a variety of allied objects belonging to the same class, there has been a general average cut of fair amount in the old rates. The notable features of the new schedule are seen in the treatment of glass and in the method of dealing with earthenware and china. Both window and plate glass have been sharply reduced, the cuts amounting to something like one-half of the original rates of duty. Earthenware has been given a moderate reduction, the old set of tariff rates not having been very high in the first instance. China and high-grade pottery are very little changed, the manufacturers having apparently convinced the Ways and Means Committee that they needed the existing protection. An interesting feature about the glass tariff is that it has been kept practically upon a specific duty basis. In the case of earthenware and pottery a new classification has been introduced based upon the transparency or translucency of the ware. The following list of illustrative articles gives an idea of the basis upon which the old and new rates may be compared, both sets of rates being reduced to an ad valorem basis for comparative purposes:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Brick	30.23	10.28
Tile	47.84	23.36
Asphalt	37.05	9.62
Earthenware	24.67	15
Window glass	46.38	28.31
Plate glass	63.95	38.45

The average ad valorem rate in Schedule B is 33.17 per cent as against 50.72 per cent at present.

In schedule C, relating to metals and manufactures thereof, the Underwood bill of last year has again been taken as a basis. There are, however, some important changes both upward and downward, while some significant items have been transferred to the free list. Steel rails are now free, and cuts have been made in four of the heavy products of the furnace at a number of important points. In general, the coarser items included in the metal schedule have been placed upon an even lower basis than that which was assigned them a year ago. There are a few advances in the cases of higher products, such as cutlery of various kinds. Machinery classed as a luxury, such as automobiles, has a fairly high rate of duty, the automobiles themselves being given a rate of 40 per cent. Other machinery, considered necessary, such as sewing machines, typewriters, cash registers, and the like, is put on the free list. After a long struggle over lead, that item was retained at a duty of 25 per cent. At one time it was understood that this rate had been raised and at another that it had been eliminated entirely, leaving lead on the free list.

The following illustrative list of items exemplifies the metal schedule:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Pig iron and slabs	16.35 to 17.79	8
Beams	23.20	12
Forgings	30	15
Bicycles	45	25
Razors	77.68	35

The average ad valorem rate in Schedule C is 20.19 per cent as against 34.35 per cent at present.

In Schedule D, relating to lumber and lumber products, a liberal method of treatment is followed. Rough lumber goes to the free list. The remaining items, such as sawed boards, barrels, and the like, are, however, obviously necessities in the ordinary sense of the term, and they are treated differently from the sugar substitutes and sugar products which were kept on the dutiable list. The rates on them are cut, but are retained at a revenue-yielding point. The following illustrative list of items shows how the chief products in this schedule have been dealt with, as compared with the same items under the old tariff:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Sawed boards	12.75	10
Casks, barrels, etc.	30.00	14.77
House furniture	35	15

The average ad valorem rate in Schedule D is 3.59 per cent as against 12.46 per cent at present.

In Schedule E, dealing with sugar, is presented one of the most sharply controverted questions in the whole range of duties. As is well known, the bill of last year put sugar on the free list. After lengthy argument on the subject, it has been decided to follow the plan of putting the old high duties upon sugar products and substitutes, such as saccharine, sugar candy, and a few others, and cutting sugar, for the present, only 25 per cent below last year's rates, with the proviso that after three years it shall go upon the free list. This, of course, means a reduction in revenues, but not a very serious one.

In Schedule F, relating to tobacco, another phase of the method of framing the new tariff is presented, for here there are practically no changes from the existing rates. This failure to alter the rates in any material degree is based upon the belief that the old schedules are good revenue-producers and that there is no practical reason for altering them, inasmuch as business conditions are adjusted to them, while tobacco is certainly not a necessity in any except an artificial sense, and may probably be classed as a luxury and hence made to pay a high rate of duty.

In Schedule G, agricultural products are dealt with. Many rather sweeping reductions have been made throughout this schedule, although not all that will be demanded by tariff-reformers. In general, the Ways and Means Committee has attempted to follow the main principles that were embodied in the Farmers' Free List bill of two years ago, transferring to the free list such items as meats, bacon and hams, flour, and so forth, and retaining on a dutiable basis only those items which are considered to have a special claim to protection or those in whose case the call for the retention of the tariff was so strong as to be practically irresistible. In the following list of articles is furnished an illustration of the working of the new bill as it affects representative items, in comparison with the working of the existing tariff on the same items:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Horses	25	10
Cattle	25.07	10
Sheep	16.41	10
Barley	43.05	23.07
Macaroni	34.25	23.81
Hay	43.21	26.67
Fruits	27.21	15.38
Figs	51.53	42.10
Lemons	68.85	24.03
Live poultry	13.10	6.67
Vinegar	33.03	17.35

The average ad valorem rate in Schedule G is 16.87 per cent as against 29.01 per cent at present.

In Schedule H, relating to wine, liquors, and alcoholic drinks generally, the same principles are exemplified as in the tobacco schedule. The rates on imported wines, whiskies, and beers, as well as on brandies, champagnes, and the like, have become adjusted to the needs of trade and to internal revenue taxation. They are high, but are producing a large income and are hence regarded with favor. Therefore, as in the case of the tobacco duties, few changes have been made, on the ground that the rates touch items that are certainly not necessaries and that probably are to be ranked as luxuries.

Schedule I, dealing with cotton textiles, will probably be one of the most critical points in the new tariff. Most of the paragraphs have been kept practically on the same basis as in the Underwood bill of last session. An important change is seen in the cotton-cloth section, however. In this section the Underwood bill provided for a threefold classification of cotton goods based upon the content of yarn of a given number or numbers in the cloth. This is now changed to a seven-fold classification, intended to readjust the rates of duty on the cloth much more extensively, according to the fineness of the yarn used in its production. The highest rates on cloth composed of the finest qualities of yarn are not, however, much raised, but are kept at about the same level as before, so that the rates have simply been graduated better than hitherto. As the cotton cloth is the basic product which sets the pace for all others, some few additional changes have naturally been introduced in other clauses of the schedule. The following list of illustrative items shows

the nature of the changes that have been made in Schedule I, compared with rates in corresponding articles under the present law:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Cotton thread	31.54	19.29
Spool thread	22.95	15
Cotton cloth	42.74	26.69
Waterproof cloth	50.56	25

The average ad-valorem rate in Schedule I is 30.48 per cent as against 45.51 per cent at present.

Schedule K, relating to wool and wool products, has been possibly the most sharply debated set of rates in the whole tariff. The Underwood bill of last year levied a rate of 20 per cent on raw wool, and its rates on fabrics ran up to about 55 per cent as a maximum. In the bill now proposed, raw wool is made free. This change has made possible in other clauses of the schedule rather more extensive reductions then were attempted in the original Underwood bill. Except for these relatively minor alterations, the rates on fabrics are kept very much as they were in the bills which passed the House a year ago. The following list of principal items in the wool schedule is intended to illustrate the relative differences in effect of the existing tariff act and of the present proposed plan:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Raw wool	43	Free
Yarns	79.34	20
Blankets	72.69	25
Flannels	93.29	25 to 35
Clothing	79.56	35
Webbings	82.7	35
Carpets	60 to 82	20 to 35

The average ad valorem rate in Schedule K is 18.50 per cent as against 55.98 per cent at present.

In Schedule L is afforded an exemplification of another of the principles of tariff-making that are being applied in this revision. Schedule L

deals with silk and its manufactures, which are clearly classed as luxuries. Inasmuch as they are so regarded, the new bill maintains them on a dutiable basis, at rates that are very nearly as high in many instances as those which now exist. In other words, the silk-makers are given to all practical intents and purposes the equivalent of their existing protection. A striking change has, however, been made from the present law in that the basis of specific duties which was introduced at the time when the tariff act of 1909 was under consideration is now entirely abandoned and in place of it the schedule as a whole has been put upon an ad valorem footing. This change was protested against by the silk-makers when they were before the Ways and Means Committee. The following illustrative list of important items compares the operation of the whole schedule with that of the corresponding rates in the existing law:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Partly manufactured goods	21.01	15
Spun silk yarn	37.09	35
Sewing silk	35	15
Silk goods	52.58	50
Silk handkerchiefs	50	40
Ribbons	50	40
Silk yarns	41.79	35
Braids, embroideries, etc.	68.49	60

The average ad valorem rate in Schedule L is 43.98 per cent as against 51.54 per cent at present.

In Schedule N, which deals with sundries, a variety of different principles of tariff-making are exemplified. Rates are to be left relatively high on articles which may be classed as luxuries, provided that such articles are good revenue-producers. Necessities are cut considerably throughout the schedule, although in varying degrees. The following list, giving a few illustrative items, compares the working of the new schedule with the corresponding rates in the existing law:

	Equivalent ad valorem Rates Per cent	
	Present Rate	New Rate
Trimmed hats	50	40
Brooms	40	15
Jewelry	75.74	60
Precious stones, uncut	Free	10

Schedule N is one of the few that has been raised, its average ad valorem rate being 33.26 per cent against 24.32 per cent for the present duties.

The free list will probably be of more general interest than any one of the individual tariff schedules. A number of items have been taken from it, but a great many and more important ones have been added. It has been sought to keep the same items that were made free in the Farmers' Free List bill, including shoes, barbed wire, and a number of others, while adding largely to the free list by taking items from the dutiable schedule. Where commodities have been shifted to the dutiable schedules from the free list, the action has been due to special considerations, on the supposition that revenue could be raised without injuring the position of the general consumer.

The articles to be admitted free under the new bill were imported in 1912 to an aggregate value of $102,534,466, and paid duties amounting to $24,718,329. The articles which are transferred from the free list and are made to pay duty under the proposed law will, it is estimated, be imported to the value of $42,595,500, and pay duties amounting to $4,647,055.

The act contains several other very interesting provisions, among them being a revision of the present customs administrative law. In drawing up this revision, the effort has evidently been made to secure a rigid application of the law in a way that will undoubtedly insure the careful application of the rates of duty that have been fixed, so that the Treasury will receive all that it is entitled to obtain from the importations actually made at the proposed rates. Discussion of the detailed changes in the customs administrative act would be a lengthy and technical process, but one which would result only in more fully illustrating the general remark already offered with reference to the content of the schedule as a whole. In addition to this revision of the customs administrative section, the new bill contains a provision for reciprocity treaties to be negotiated by the President with foreign countries and to be subsequently ratified by Congress. The maximum and minimum section of the Payne tariff law is eliminated, the reciprocity section taking its place. Additional to these sections some new legislation is included in the bill whereby a discount of 5 per cent from the rates of duties fixed in the measure is to be allowed whenever the fact that such goods are imported into the United States in American vessels shall be established. This scheme, it is supposed, was planned for the purpose of encouraging the growth of the American merchant marine, although in the opinion of most persons it will be far from contributing materially to that object.

Trade with the Philippines is placed upon an unrestricted basis, thereby abrogating the limitations upon the movements of sugar and tobacco which are prescribed in the present law. Finally, a new series of provisions for the granting of drawbacks, for the maintenance of bonded warehouses, and for smelting in bond has been introduced. Altogether the bill, in spite of some very serious defects, constitutes an important step forward in the direction of revenue reform.

It is, however, already clear that severe criticism will be directed at several aspects of the measure. Some of the chief of these may be enumerated as follows:

1. The enlargement of the free list is complained of by those who believe that under the theory of a revenue tariff very few articles should be allowed to escape without taxation.

2. The reduction of duties on finished products while tariffs are imposed on a number of the raw materials entering into such products, is complained of by domestic manufacturers.

3. It is alleged that in some lines of manufacture the cuts have been too drastic upon manufactured goods, independent of the treatment of the raw materials of which they are made.

4. Various mistakes are asserted to have crept in whereby special favors would be granted to given classes of industry. An example is seen in the provision whereby wheat pays a duty of 10 cents a bushel whereas flour is free under certain circumstances. Another example is seen in the establishment of a tariff duty on goat's hair at the same time that wool is placed on the free list.

As a result of the introduction of the bill and of the prospect of several months' debate on the measure, it is now predicted that a period of quiet business and of liquidation will ensue.